A NEW TEXT; SELIGMAN: "SOCIAL VALUE"

In another place[1] the present writer has attempted to summarize the positions and tendencies exhibited in several late important economic treatises in their reference to certain leading and stategic doctrinal questions. Something of the same sort will be here undertaken with regard to Professor Seligman's newly published treatise.[2]

Profits.—

> The remuneration of the entrepreneur, or the man who carries on the enterprise, is called profit. Among them, wages, rent or interest, and profits exhaust the whole income. (P. 352.) Profits are the income from business enterprise. (P. 353.)

But on p. 427 it is said:

> Profits . . . . are the chief inducement to enterprise. The anticipated gains to be derived from fluctuations in value constitute the real incentive to business activity, and hence to modern production.

In this last it is implied, not only that profits cover merely that part of entrepreneur income due to value fluctuations, but also that modern productive enterprise would cease to function were these conjuncture gains eliminated—if, that is to say, "a state of normal equilibrium" were realized. And with profit so defined, what becomes of that part of the entrepreneur's share not due to value fluctuations? For we are to remember that "wages, interest or rent, and profits exhaust the whole income." This share must seemingly be regarded as falling under the head of *wages of management.*

It will, however, be best to place before us a concrete problem, and then to attempt the application to it of this profit doctrine. Let it be assumed that a hat manufacturer, against each two dollars worth of product sold, pays out 75 cents for raw materials, 75 cents for labor, 5 cents for borrowed funds, 5 cents for rented land, and

[1] See *Yale Review,* December, 1905, "Doctrinal Tendencies—Fetter, Flux, Seager, and Carver."

[2] *Principles of Economics.* By Edwin R. A. Seligman. New York: Longmans, Green & Co., 1905.

that he uses funds and land of his own to equal amounts; that as shoe manufacturer—his best alternative opening—he could, for the same time, outlay, and investment as in hat production, obtain $1.85 of product; and that as wage-earner or salary-receiver —purely as employee—he could earn 10 cents in the time taken to produce the hat or the shoe product.[3]

What, according to Professor Seligman, is to be computed as profit here? "The remuneration of the entrepreneur, or the man who carries on the enterprise, is called profit. . . . . Wages, rent or interest, and profit exhaust the whole income." Under this formulation 30 cents per hat is profit; but under the second formulation—"the gain to be derived from fluctuations in value" —no answer is yet forthcoming.

If now it may be assumed that the cost investigation is important only as bearing on the supply term of the value equation, and that with any individual producer the problem of cost is the problem of how much pay he must receive in order not to abandon or restrict his production, it must be clear that the hat producer in our assumed case will submit to a price of $1.85 before shifting to the shoe industry, and that the wage opening of 10 cents has no immediate bearing on the case: $1.85 is the cost of production; 15 cents is a producer's differential, a "quasi-rent of production," or an "unnecessary profit"—or an excess above minimum profit, or whatever else it may be preferred to call it.

But how about the following formulation? "Profits are always a surplus; they are the difference between the cost of production and the selling price" (p. 353). "The excess of price above cost of production constitutes profit" (p. 354). On p. 357, however,

[3] In close analysis, the problem as set is doubtless open to criticism; just as for all farmers, on whatever sort of land, there is supposedly an intensive margin of cultivation—some part of the product of each farmer being, therefore, marginal product—so, were all manufacturers of hats able, to the degree of their liking, to provide themselves with the factors of production, it would follow that, for some items of the product of each, cost and price would be commensurate quantities.

But in view of the limitations upon capital power, or credit facilities, a problem may be presented precisely of the sort given. And in heavily capitalized industries also, cost is perhaps better conceived as computed in aggregates rather than by individual items of product, the supply price for each producer being of the nature of an average for the entire product. (Cf. Marshall, Book V, chap. v.) And, in any event, the problem is fairly set from our author's point of view.

it is said that "wages are a stipulated income, and profits a residual income"—suggesting again the 30-cent solution; but it is immediately added: "Wages are part of cost; profits a surplus over cost." And likewise on p. 356 it is asserted: "Profits are the return from the conduct of business enterprise"—a 30-cent view; but shortly afterward, upon the same page: "Interest is a part of cost; profit is a surplus above cost"—probably, as it now looks, a 15-cent view. But this must finally depend upon what cost of production is held to be.

But evidently a producer must have something for his services; only this something need not be called profit; still it is, as we have seen, sometimes so called. Sometimes, however, the usage falters:

> The gross earnings would suffice to give him a bare compensation for his services, for otherwise he would enter some other employment as a wage-earner. [Necessarily as wage-earner? or necessarily, if as wage-earner, in some other line of employment?] Gross profits must include interest and wages. But there would be no net profit, or surplus profit, or profit in the real sense of the word. (P. 354.)

Merely noting, in passing, that the necessary wage is here made part of cost, it becomes evident that this necessary wage is not made a part of "net, or surplus profits, or profits in the real sense;" profits are, on the contrary, here presented as that part of personal compensation above the amount required for the continuance of the busienss; they are differential profits in the sense of that other terminology that holds that "the remuneration of the entrepreneur, or the man who carries on the business, is called profit" (p. 352); "Profits are the income from business enterprise" (p. 353). This *net, surplus* or *real profit* concept, then, denotes a differential above necessary cost, and gives us 15 cents as the solution of our problem; and this goes logically along with the doctrine that—

> profits . . . . are the difference between the cost of production and the selling price. (P. 353.) The excess of price over cost constitutes profit. (P. 354.) At the bottom of the scale is the marginal producer working under the least favorable circumstances, and who can nevertheless get no more for his goods. With him price equals cost. The excess of price over cost constitutes profits. (P. 354.)

But still another concept of profits presents itself: "Profits are the surplus of the intra-marginal over the marginal producer" (p. 353); not now, be it noted, a surplus above what one must have to keep him in the business, but a surplus above what someone

else, the marginal producer, must have to keep the marginal producer in the business. This, as will be recalled, was Walker's view; and profit with Walker was likewise presented as no part of cost; what you get more than somebody else gets is no part of your cost; it follows that price is determined by the cost of the poorest incapable in the trade, it being thereto irrelevant that he may also be so entirely worthless for any other possible thing that he would not change occupations at any, no matter how great, fall in price; and the profits *unnecessary* to hold in the trade the master-minds of the entrepreneur world are whatever they are getting more than this rear-guard good-for-naught.

And in line with this terminology it appears, as it consistently ought, that this poorest fellow is getting no profits; which must mean, according to the earlier formulation, that he is getting no differential above his best alternative—which obviously may or may not be true, and is, perhaps, as likely to be true of the most prosperous among his competitors.

Consistenly with this concept, no solution is possible for our problem; upon the data given, no single entrepreneur, other than this single-footed incapable at the alleged margin, could ever by any possibility determine his own or anyone's else cost of production.

Bearing in mind that "net or surplus profit, or profit in the real sense," has been defined as surplus over cost—producer's differential above necessary remuneration—we approach still another concept of cost—a notion something like the German *Conjunktur-Profit.* Those compensations accruing to personal activity and management, over and above what must be ascribed to the land and other equipment of the entrepreneur, may undoubtedly be divided accordingly as they are or are not due to changing conditions—to market fluctuations—tardy competition—conditions which are, in any society, always in process of coming not to be, and which in stationary conditions must in time be canceled through the complete working of competition. That is to say, there is one portion of the entrepreneur's income which may be said to belong to him by a sort of permanent desert and right; full and complete competition would only serve to make this share more secure and definite; while there is another part which befalls irregularly, by luck and hazard, and without ethical

basis, or claim of any merit other than that, possibly, of farsightedness, and only through the perversities and tangles of things. There are, we repeat, gains of this latter sort, as truly as there are residuals which the disappearance of these fortuitous influences would never menace or reduce. Our author's present concept of profits contemplates these fortuitous quantities:

Profits are a result of price, not a cause of price. Products at a lower cost create profit; competition forces prices down to lower cost and eliminates profits. Profits can be maintained only by the creation of a continually newer cost-level lower than the new price. (P. 357.) . . . . For as soon as profit appeared, the entrepreneurs in other fields who were just making expenses would at once bid against each other to secure capital and labor, until they would capture their share of the market, and the profits would dissipate themselves, on the one hand in the higher rate paid for the factors of production, and, on the other hand, in the lower price of the product due to the greater supply. (P. 354.) . . . . It may conceivably happen, indeed, that all the producers at a particular moment are men of precisely the same abilities and subject to the same conditions. . . . . There would be only one identical cost for all units of the supply. There could, then, ... not be any permanent profit to all the producers, because prices could not permanently remain above the mere cost of producing. (P. 245.)

It is evident enough that, on this basis, no very precise answer can be given to the inquiry as to how much of the entrepreneur's gain is due to his own productive activity, and how much to the gifts of fortune, through the flux and change of processes and values. Neither our problem as stated nor any other problem could present materials from which this notion of profit could arrive at a money statement. And with this uncertainty as to the competitive share of the remuneration there must go also an equal indefiniteness as to the other share—the right, due, earned, just, enduring share. Thus this fifth or sixth variety of profit appears to promise greater service in ethical—or possibly sociological—discussion than in the field of economic analysis. It remains, however, certain that something of this rightful and natural share there must be—quantitatively and qualitatively vague doubtless, but existent. But we find it written:

Wages differ from profits in that wages are a stipulated income and profits a residual income. . . . . Wages are a part of cost, profits a surplus above cost. The entrepreneur may think that he deserves a return for his services, but whether he secures one depends upon his competitors. There

is always a certain level below which wages cannot fall, because no work would otherwise be done; but the very continuance of competitive profit depends upon the abler producer cutting down cost to the point where the marginal producer earns no profits. (P. 357.) In society in a state of rest . . . . the marginal producer would hardly make both ends meet, but would earn nothing above his cost. (P. 246.)

This last statement seems to imply that all compensation that does not accrue as gift of fortune is cost—that is, is necessary compensation. Thus the doctrine which under stable equilibrium would deny to any producer anything above his necessary remuneration would amount to assigning to him in his best field of activity precisely what—and no more than what—he would be worth in his next best field—this ethically *just* ending in the strange perversity of measuring what one can do, not by what he does, but by what he would do if he did not do as much; whereby the Jacks-at-all-trades must be appreciably favored.

It is evident enough that we are thus far all the while within the field of individualistic entrepreneur cost; and in this field there is still one more cost concept to be presented—a concept which, depending for its significance upon the doctrine of cost of production, will excellently serve us as a bridge over to this, the next topic of our investigation.

"To the employer cost means total cash outlay expended in production;" and it is added: "Here the cost is usually less than the price, the difference between cost [cash outlay] and price being profit." This, however, may possibly not be fairly interpreted as a fifth—or sixth—profit concept, since the notion of profit here held would finally resolve itself into total remuneration for entrepreneur activity.

Cost of production.—The preceding discussion of profit has incidentally and by implication, but none the less clearly, made use of at least three general types of cost, all of them, however, falling within the broad category of entrepreneur-cost computation:

1. Total cost outlay—mere expenditure.

2. Cost inclusive of charges for instrumental equipment—land, machinery, etc.

3. Cost inclusive also of different measures of compensation for entrepreneur activity.

In any possible entrepreneur view of cost, be it noted, costs

are merely another way of regarding certain distributive shares, which distributive shares are, in turn, to be taken merely as remunerations derived from, and distributed under, entrepreneur employment. In this view, evidently, value and distribution are merely different aspects of one problem.

But for the purposes of the immediate present we are interested solely to note that the doctrine of entrepreneur cost receives in one or another form distinct acceptance; as for example:

When we speak of prices depending on the cost of production, which cost? . . . . If at any moment there are five firms supplyng the entire market . . . . at a cost to each of six, seven, eight, nine, and ten cents a yard respectively, it is clear that the price will not be six cents, for all except the six-cent producer would then lose money and stop. Nor can the price be fixed by the average cost of production, as is often carelessly stated. . . . . The price will be kept down to the lowest point consistent with continuous production. (Pp. 245, 246.)

Whenever there is more than one producer there will be different costs of production; producers differ. . . . . Some . . . . produce more cheaply than others. (P. 245.)

This definite and explicit recognition of individualistic entrepreneur cost is, indeed, the basis upon which Professor Seligman rests his doctrine that rent is as much a part of cost of production as is any other production expenditure:

It is stated that rent is not a part of cost, and that high rents are therefore a result, not a cause, of high prices. . . . . Precisely the same is true, however, of every other share in distribution. . . . . Different employers may utilize different grades of workmen to fell trees or to build railways. One uses a three-dollar American, another a two-dollar French-Canadian, another a dollar Italian. . . . . The high-price workman is not really more expensive, because his output is greater. Since all the trees sell at the same price, as fixed by the marginal producer, [fixed? [4]] who is using the least effective workmen, the higher wage of the American represents a surplus product of labor rent over the low wage of the Italian. (P. 377.)

Of some of the details of this generally admirable rent-cost doctrine more will be said later; but it is here of immediate interest to note that side by side with this individual-entrepreneur-cost

[4] "Price is not fixed by the marginal or maximum cost, but *at* the marginal cost, and the margin depends upon the output of the better grades, receding as this increases, advancing as it falls. Every bushel of wheat, whether it comes from good or poor land, affects the supply, the price, and the margin." (P. 378.)

doctrine another and entirely distinct species of cost doctrine is presented:

> Cost is at bottom equivalent to pain. We undergo pain in order to secure utility or to remove disutility. Cost is always the anthesis of remuneration. (P. 191.)

That this is strongly reminiscent of Cairnes is by no means to be taken as condemning it; nor is there any reason why, in view of Cairnes's now more or less antiquated position in the history and trend of economic doctrine, any further recognition should have been made of indebtedness to him than is contained in our author's bibliography, in which the following high praise of Cairnes is set down: "Abstract but remarkably able;" it remains, however, none the less open to question whether this same—in many cases even greater and more evident—degree of indebtedness with regard to the most recent of economic thought should likewise have been left with the same lack of specific recognition.[5]

But however this may be, it is surely true that pain is not the antithesis of entrepreneur remuneration, in any other sense than that the laborer sweating in the field is the antithesis of the employer resting in the shade; not employer pain, but employer expense, is the antithesis of employer remuneration. Computations of pain-cost are upon an entirely distinct level of economic analysis —not better or worse possibly—this is another question—but different.

But, in any case, this pain-cost doctrine need not detain us long; for absolutely nothing is done with it as bearing on the market-value problem. No attempt is, as with Ricardo, made to show that the pain-cost of the laborer underlies and explains and determines the outlay costs of the employer, in such fashion that entrepreneur cost comes to be proportionate to these "real" and controlling pain-costs.

Our author's doctrine shifts, in fact, to an entirely new cost category, presented as fundamental and definitive—*social cost.* But for adequate examination of this doctrine of social cost, a detour of some length and wearisomeness will be inevitable—the while, however, that incidentally certain other important aspects of the discussion will be disposed of.

[5] Most notably, perhaps, to Fetter's *Principles* and to Veblen's *Business Enterprise.*

The economic motive: the economic field.

The economic motive . . . . may best be defined as the motive which impels every human being to satisfy his wants with the least possible effort, or which leads him to secure the most pleasure with the least pain. . . . . Human beings are impelled by other motives as well. . . . . In searching for the fundamental laws of economics it is convenient to exclude all motives save the economic. . . . . The so-called economic man is a complete abstraction. By the "economic man" is meant the human being dominated by the economic motive. Such a man does not, however, really exist. . . . . Side by side with the economic life are the æsthetic life, the religious life, the intellectual life. . . . . It is, indeed, the function of economics to study that aspect of human activity known as the economic life. We must not, however, forget that we are studying man in only one aspect of his existence. (Pp. 4, 5.)

Noting here, for future purposes, that the "average man" appears to be unfavorably regarded by Professor Seligman, and stopping to query how, under the economic motive as presented, pains and pleasures are to be equilibrated, and whether the choice may not be at indifference as between much pain and much attendant pleasure, or between little pleasure and less or no pain, we pass on to ask ourselves whether a picture is an economic or rather an æsthetic fact: How if the similitude in question were a photograph of one's fiancee? The services and the boluses of the physician are clearly enough economic items; but what about Christian-Science healing, outlays for preaching, or other ghostly comfort?

And if æsthetic, religious, and intellectual wants, and their attendant satisfactions, are not a part of the subject-matter of economic science, there should, perhaps, arise a reasonable expectation that pains and disutilities of æsthetic, religious, or intellectual quality will be found to be excluded from the category of economic costs.[6]

[6] It is of common knowledge that the Austrians, in their prodigality of distinctions, have set over against *subjective worth*—a purely psychological category—the concept of objective worth—"the power or capacity of a good to produce some objective result. . . . . There is a nutritive *Wert* of food, a heating *Wert* of wood or coal, a fertilizing *Wert* of manure, a blasting *Wert* of explosives, and so on. . . . . The varieties of objective *Wert* just mentioned do not, however, belong to economical, but to purely technological relations. . . . . They do not properly belong to political economy at all." (*Positive Theory of Capital*, p. 130.) Whether the following shall be interpreted in something like the Austrian sense of objective worth, or as merely a reassertion of the earlier delimitation of the economic field, is not easy of decision; but we seem, on the whole, to be within the psychological—the utility—aspect of the discussion:

Utility.—But, however this may be, we are, in any case, in presence of the utility concept: "The value of anything is the expression of the estimate of its utility, meaning by utility its capacity to satisfy human wants" (p. 175)—if only, one infers, these wants are of such economic quality as to permit of their furnishing the basis of economic value.

The utility of each apple—its capacity to satisfy his desire—has diminished until the tenth apple is the last which affords any utility at the moment. . . . . It is plain that the marginal utility of any apple depends on the quantity at one's disposal. (P. 176.)

To none of which is criticism to be directed. We merely note, for future purposes, that marginal utility is here made to depend upon supply as well as upon want: the redness of the apple, being an æsthetic fact, may be assumed to have no bearing upon its economic value or utility.

The second point to be noted is that at any given time the utility of each apple is equal to that of the last, and therefore to that of any other. (P. 176.)

But this cancels all distinction between utility and marginal utility—the utility of any item regarded as the last; and it is inconsistent with what is said ten lines farther on:

The total utility of a stock is obtained by adding the utility of each individual apple to that of its predecessor. It will accordingly grow until the point of satiety has been reached. (P. 176.)

A line or two later we read:

The marginal utility of the stock . . . . is always equal to the marginal utility of the final unit multiplied by the number of units. (P. 176.)

Without stopping to inquire what "the marginal utility of the final unit" may possibly be, it must be objected that the service derived from the whole group of units, considered as an indivisible aggregate, or the loss which would be sustained by the loss of the entire group, is something indefinitely greater—possibly infinitely greater—than the product of the marginal utility multiplied by the number of units. It is true that, taken separately, no one item can

"Value or worth implies usefulness or utility. . . . . Since value implies the capacity to satisfy wants, there are as many kinds of value as there are classes of wants. Things have a scientific value, an æsthetic value, a religious value, a philosophic value, a political value, and so on. The value with which economics has to deal is economic value—a small subdivision of the whole. As this is a treatise on economics, we shall hereafter use the term in the sense of economic value, that is, the value of things for economic purposes." (P. 174.)

have greater importance attached to it than has the marginal item, since, when the items are considered separately, substitution is possible; but all items have not the same utility. If it were really true that the utility of each item of a stock falls to the level of the last item, and if it were true that the total utility of the group is the product of the marginal utility multiplied by the number of items, there could never be any utility in any single item or in any group of items, so long as the supply were sufficient to allow any part of it to be free goods. That is to say, the view presented by Professor Seligman permits the emergence of utility only as the result of scarcity; and yet scarcity alone is not sufficient for value—else mosquitoes would be valuable in winter. What name shall serve to denote that other essential? [7]

Utility and value: cost and value.—

If the supply is unlimited, the marginal utility is zero. . . . . But if the supply is limited, it will cost some sacrifice to secure or to reproduce it. Therefore when we measure the marginal utility of a commodity, we measure the cost of securing it. Hence either utility or cost may be declared the measure of value. . . . . When we speak of utility, we think of the person who wants it—that is, of the demand. When we speak of cost, we think of the person who parts with it—that is, of the supply. (P. 199.)

Noting here, for future purposes, not merely the implication, but, a little later, the assertion, that "to affirm that either utility or cost exclusively measures value is as incomplete as to say that either demand or supply exclusively fixes value" (p. 199), and noting also that we seem clearly enough here—though the author expressly says that we are not [8]—to be within the field of individualistic computation, we also assure ourselves that we are not talking of a Crusoe economy of isolated production, but of a market-value situation where one person demands—wants, offers and buys—another person parts with—supplies, and at a price sells; and then we ask ourselves whether it is really true that market price expresses indifferently, because of their equality, the utility to the rich man who smokes the cigar, and the burden to the laborer (even assuming that there was only one) who grew the tobacco and

[7] Cf. *Yale Review*, December, 1905, *op. cit.*

[8] "All this is true, however, as we have seen, only of social cost and of social utility" (p. 199).

cured and fashioned it, and who would then have much liked to smoke it, only that he could not afford to.

But the relation of marginal utility to value requires further exposition. Under the "General Law of Value" it is said:

Value is at bottom the expression of marginal utility. It follows that all prices must therefore be studied from the point of view of marginal utility; that is, of the power of marginal increments of supply to satisfy the marginal increments of demand. This is only another way of stating that the fundamental explanation of value is marginal efficiency or the capacity of marginal units to satisfy marginal wants. (P. 262.) .... The contribution or efficiency is the positive cause; the cost of production adjusts itself to this. .... The cost adjusts itself to the service. (P. 265.)

Cost of production is thus only a partial, and even then approximate, explanation of value; marginal efficiency is the universal and the ultimate explanation. (P. 265.) [This out-Austrians the Austrians.]

There is an abundance of silver below the surface that is not mined because it will not pay; if the marginal efficiency or value of silver should rise, these more expensive grades would at once be marketed, and the new marginal cost of production would adjust itself to the price. The price would not rise *because* the cost increased; but the higher price would be fixed *at* the higher cost because that would now be the new point of marginal efficiency. (P. 264.)

There is here no explanation attempted, and very possibly should be none attempted, of why the marginal producer will not produce more than he actually does produce, or would refuse, upon any lower level of price, to produce as much or at all; the doctrine runs that the value is the result of the power of the marginal increment of supply [from the poor man?] to satisfy the marginal increment of demand [by the rich man?], and that the cost has not the same efficiency as the service in determining the price; "the cost adjusts itself to the service." But it will be remembered that upon another page (176) it was made clear that "the marginal utility of any article depends on the quantity at one's disposal." Undoubtedly, this is, at the best, more or less confusing; but for those of us who hold that cost of production in any one line of production is mostly or entirely the expression of value productivity in other lines of production, or under competing entrepreneurs in the given line of production—the pull of competing demands—this want of consistency will be interpreted sympathetically.

But the identification of marginal utility with market value, by no matter what analysis, calls for further attention; and for the purposes of the present question we leave entirely at one side the problem of the competing claims of demand and of supply to the determination of price; we ask ourselves merely whether it is true that "when we speak of demand we think of marginal utility," just as "when we speak of supply we think of marginal cost." In fact, as our author goes on to show, marginal cost is not an absolute but a comparative thing—and by the way, is not, at least in the case cited, a pain quantity of any sort. "I may be so much more intelligent than my furnace man that I could save much coal by tending the furnace myself; yet I prefer to look after my business, and let him tend the furnace because it pays each of us [me?] to do so" (p. 226); precisely so—and an excellent illustration that cost is, sometimes at least, mostly or entirely an expression of resisting demands. And precisely parallel should be the reasoning for the demand side of the value problem; demand price is worlds away from the connotation or the expression of marginal utility; it expresses only a relation between competing utilities. Why is the marginal offerer marginal? What does it mean to say that he will pay thus much and no more? Merely that the utility to him of the commodity in question will not allow of a higher payment in view of some other possible application of the same purchasing power. To the marginal purchaser the thing purchased is, in its utility to the thing foregone, as one is to one. This ratio relation holds for every man—if he be marginal—whether rich or poor, by the very fact that he is marginal; and absolutely nothing is known, or, if known, could be expressed in money (or, for that matter in any other way, to another person) as to the absolute utility of the marginal item, or, indeed, of any other item. For all intra-marginal buyers the utility proportion runs: thing bought : thing foregone : : 1+ : 1. For excluded buyers the ratio relation of the thing in question to what it would displace falls something short of unity value. *Mutatis mutandis,* the same formulations hold for producers or sellers.

And, in point of fact, something like the view contended for here is implied in one of our author's statements: "A dollar is worth more to a poor man than to a rich man," etc. (p. 228); though, as we shall shortly be called to notice, he thinks this fact may be neglected for general theoretical purposes.

In view of the foregoing, it may, upon the face of it, seem captious to put in question the "moreness" or "lessness" of one man's pleasures or pains as compared with another's. But, after all, is it safe to assert or to assume commeasurability in the feeling items of different men? The ratio formulation, is, at any rate, a deal safer—and is sufficient for any possible purposes of the analysis. In truth, a rich man may be so vivid in his emotional experiences, and a poor man so dull and colorless, that—if comparison be really possible—the rich man may have more pleasures—or protection from larger pain quantities—from each unit of his many dollars than the poor man from any of his.

The social calculus.—The time has come, however, to face the disquieting fact—disquieting perhaps equally for author and for critic—that all the preceding quotation, exposition, and criticism is really and fundamentally beside the point—or at the best, only introductory to the point; for, despite all of the doctrine about individual utility, individual marginal utility, individual demand, entrepreneur supply computations, entrepreneur cost—of various types—individual sacrifice, individual pleasure, individual pain cost, individual profits—surplus, competitive, and differential, etc.—all these are sheer side issues, not irrelevancies probably, but analogical or introductory or superficial matter; the heart of the doctrine, the realities of the objective business situation, are to be sought otherwhere.

But it is not, of course, the author's intention to abandon any of the formulations of the sort many times cited; it still stands that "value is an estimate of the relative importance or utility of different quantities of goods (p. 12); that "when we speak of the value of a commodity, we think not of the total utility of the quantity taken by itself, but of the marginal utility as compared with that of a definite quantity of other commodities" (p. 179).

But in view of the rich-man-poor-man complication, there must obviously be difficulty in finding someone to make the comparison; a pint of champagne sells for the same price as a sack of flour; are they therefore to have ascribed to them equal volumes of utility rather than merely an equality of command over purchasing power? Equal utility to whom? Who makes the comparison, or for whom de we make it? It is evidently not enough to assert that "value is not merely the expression of utility in general, but of marginal

utility" (p. 198). If values are really to be resolved into a common denominator of utility—and that this is undertaken, so much, at least, the preceding discussion has made clear—something further is waiting to be done.

The solution as offered runs:

It is society as a whole which sets a value [market value] upon things . . . . If an apple is worth twice as much as a nut, it is only that the group that uses apples and nuts finds, after comparing individual preferences, that the desire unsatisfied by the lack of an apple is twice as keen as that unsatisfied by the lack of the nut. Value, therefore, is not merely the expression of marginal utility; it is the expression of social marginal utility (p. 180).

Since value is a social conception depending on a comparison of diverse goods, and since this comparison is ordinarily made in society by their transfer from man to man, it is clear that the value with which exchange has to deal is exchange value (p. 183).

Value in exchange is nothing but the expresion of its true value to the members of the social group, that is, of its marginal utility (p. 183).

Exchange power is based on the comparative estimates of direct social utility which gives to every owner of the commodity the indirect utility that fixes value in society (p. 183).

This, then, is the first step in the solution—that the utility which underlies and explains value is not individual utility, but social utility. And we have, as we shall later see, in addition to this social-utility concept, concepts of social pleasure, social pain, social demand, social supply, social surplus, diminishing social utility, diminishing social return, a social labor unit, a social effort unit, social sacrifice, social cost; and finally, as the goal and summation of all this, social value, that is, market value. This will evidently bear looking into.

Some linguistic uses connected with collective nouns will offer a point of departure. When thought of merely as indicating an aggregate, a unit, the collective noun takes a singular verb; if regarded as a collection of units, it takes the plural verb. And so we say, "the committee was discharged," "the committee were unable to agree" (with one another); "was unable to agree" (with the conference committee); "the army were marching" or "was marching;" "the crew was" or "were exhausted." But one could hardly say, "the committee was unable to agree" (with one another); the agreeing has to be done by more than one person.

Now, in many cases, though the act or the situation asserted is really one of each individual by himself, there is no occasion for insisting upon this; no ambiguity or inaccuracy or misapprehension is involved in saying that "the battalion is eating its dinner;" it is a shorthand fashion of speech, but is perfectly intelligible; it is common enough to think of a battalion as a unit, and the act of dining is a simple one in which all join, and in which all comport themselves in pretty much the same way; from the point of view adopted—the interest proceeded upon, the purpose in hand—no importance attaches to the fundamental separateness of the activities, and to their entire lack either of psychical unity or of purposive co-operation; they are simply similar— roughly simultaneous—and are thought of in block. True, one man eats rapidly and another slowly, some little and some much, and a few sick ones not at all; but the expression serves, and implies its own limitations of accuracy.

And so of an army, when we say that "it marches," no doubt is even faintly suggested that each man does his own walking, works his own muscles, uses up his own tissue, and that presumably many are halt, while others limp, and some swear. But no one of these differences signifies for the purposes of the thought in mind: each man is separately getting ahead—moving along, like all the rest; and so we say, "the army is," etc.—serviceable speech, though in strictness inaccurate, were any perversity bent on misinterpreting it. But when it comes to asserting that the army is brushing its teeth, or has stubbed its toe, or has a stomach ache, there is obvious difficulty. These things are not done jointly, co-operatively, by aggregates, and will not bear thinking over into this form; the inaccuracy of the collective idiom is obtrusively manifest.

And so we may speak of public opinion, the preference, or habit, or custom, or convention, of society; and no harm need come of it, despite the fact that some men neither think nor choose in the manner implied, but have their own peculiar judgments or choices or wishes, and yet are members of society entitled to be included in an exact formulation: everyone knows that the thought really runs upon majorities of "'most-everybodies;" that is, no harm need come of it, if only there were not people to take the notion of a "social mind" seriously, and to import into cases calling for accurate analysis—and to accept as sober fact—a mere

figure of speech, or at best a loose analogy drawn from biological science. For it is to be charged—or credited—to the biologists and the sociologists that the society-as-an-organism formula has found its way into economic thought. And thus hereby a doctrine long since abandoned in economic reasonings is in the way of reappearing; for have we not need of normals and averages? Else our doctrine in getting accurate and actual will get difficult also. And so, by the sociologists, through the magic of the society-as-an-organism incantation, a resurrection miracle has lately been worked; we salute before us the average man.

One hesitates to approach the invidious task of assigning primacy in this new school of thought; for that there is a new school, and that it has come to include a passably generous membership—somewhat localized still—and that its doctrine means much for the good or evil of economic science, is the excuse, so far as there can be any, for the present paper. But it is nevertheless to be said that Professor Seligman is the first writer who has seriously undertaken to carry the doctrine to its logical conclusions: and thus it necessarily comes to be true that whatever is further said here is, in purpose and in practical bearing, impersonal, theoretical, and general in its reference, rather than primarily an examination of Professor Seligman's doctrine as such.

And yet one asks one's self why, if it is all thus easy—this magic word "social" making all things plain—if the heart of the mystery is thus easily plucked out—why all this other talk of gross profits, necessary and minimum cost, individual cost, individual utility, marginal entrepreneurs, normal equilibria, true profits, competitive profits, and the like? Why, indeed, any talk at all? Everything will explain as a social resultant—if this passes as explanation. And, after all, is it not clear that this society-as-an-organism method, this mystery-and-difficulty-annihilating social-cost doctrine, leaves nothing further to be said or done in economics, and must finally deny to the economist any field of employment, and deprive him of all excuse—and opportunity—for living? One cannot even turn sociologist, for even as a sub-head under sociology there would remain no place for economics as an analytical-psychological science and as a systematic body of theory; only statistics and field-work would be left. It is in no small part from this point of view—trade solidarity—that the present writer is disposed to declare himself a

radical and uncompromising opponent of this new doctrine, and of all its corollaries.

It is, at any rate, fortunate that Professor Seligman has placed the question in all its aspects in such form and completeness as to make the issue, not merely possible, but inevitable. There can be no peace till this new theory is driven from the field or has taken the field to itself.

In this doctrine of social cost, social sacrifice, and social value, one would look to find, as apparently one does find, a renunciation of all allegiance to outlay cost, and a return to the distinctly pain-cost-and-pleasure-balance terms of analysis:

Cost of production is the measure of value; but it is not, as Ricardo thought, individual cost. Marginal utility determines value; but it is not, as Jevons thought, individual utility. Both cost and utility measure value, because . . . . marginal cost is always equal to marginal social utility (p. 198).

The sacrifice imposed upon society to secure anything is . . . . the exertion needed to replace it. . . . . Thus, when we speak of social cost, we really mean cost of production; and when we say that value is influenced by cost, we mean that value is influenced by cost of production. . . . . We think no longer of the sacrifice imposed upon any one individual, but only of the social sacrifice, or cost, embodied in the commodity; or, rather, the sacrifice, or cost, to the individual is the result and reflex of the sacrifice to the community. (P. 197.)

In society . . . . whatever the rate of exchange, it is only the social utility and the social cost of which the marginal degrees are equal. If a knife exchanges for a book, it is because the demand in the community as a whole is such that the marginal sacrifice to society of parting with a book is equal to the marginal pleasure of society in getting a knife. [Whereto goes the book, and whence comes the knife?] To put it more accurately, a knife will exchange for a book only because the sacrifice to society in making the knife, for which it receives in turn the pleasure of books, tends to equal the sacrifice of making the book, for which it receives in return the pleasure of knives. (P. 197.) . . . . To any individual the sacrifice may be less than the pleasure, but there will always be a marginal individual to whom pleasure and sacrifices are equal. The marginal pleasure in the aggregate tends to equal the marginal pain in the aggregate. The balance or equilibrium is between the pains and the pleasures of the sum of individuals. . . . . The real equilibrium is a social equilibrium. . . . . The real cost to any member of society which influences value is not the subjective cost to him. (P. 197.)

Now, what does it really mean to say that the marginal pleasure *in the aggregate* equals the marginal pain in the aggregate?

What is to be aggregated, even supposing the process to be a possible one? There is always a marginal person, it is said—one person "to whom pleasure and sacrifice are equal." But this man can have little to do with the case, for while there is such a man, "the real cost to any member of society which influences value is not the subjective cost to him;" and, in point of fact, there is, after all, no such man, for "it is only the social utility and the social cost of which the marginal degrees are equal;" we really think not "of the sacrifices imposed upon any one individual, but only of the social sacrifice or cost, embodied in the commodity; or rather the sacrifice or cost to the individual is the result and reflex of the sacrifice to the community."

Nevertheless, it is clear to Professor Seligman—and to us—that things have a utility to individuals; and somehow it must be true that "the estimate put by the individual on one commodity as compared with another is the foundation of all value" (p. 179). "Value in exchange is nothing but the expression of its true value to the members of the social group, that is, of its marginal utility" (p. 183).

It is, indeed, true that by the possibility of exchange a commodity may come to have a greater indirect utility to its possessor than it has direct utility to him; but can it have any utility *to society* greater or less than it has to him? And in this computation is he, or is he not, a part of society? "Its indirect utility to me is the result of its direct utility to society." But what or who is this *society* whose direct utility is the cause of the indirect utility to the possessor? And how add together utilities to different individuals, "the members of the social group," so that a "direct marginal utility to society" may have existence?

It must be understood that with this latest school of value, as with its predecessors, the principle that demand and supply together fix price is, for whatever it is worth, freely accepted; but all the while with this difference, that demand, as conceived by this latest school, is really not the aggregate of the separate individual demands, each with its own particular psychology and its peculiar explanation: "The demand that tells is the aggregate demand depending on the social utility" (p. 20).

Likewise cost is essentially not a matter of individual outlay or sacrifice, working out into the expansion or contraction of supply,

accordingly as individual preferences and profit may direct; cost is rather a transcendental thing, as follows:

Since cost is a form of disutility, it follows that the real cost of importance in affecting value is social cost, and not individual cost. . . . . Value is the measure of sacrifice. In what sense? . . . . Evidently not of individual sacrifice. A street-sweeper may work harder than a factory hand, and yet the value of his services will be less. Value is a social conception; society puts its appraisal upon commodities. If value is a measure of sacrifice, and if value is a social estimate, value must be the measure of social sacrifice or cost. . . . . The sacrifice of each is compared with the needs of society as a whole. The standard is social, not material. It is easier to be a street-sweeper than a skilled factory hand. Society is more willing to spare the former than the latter, for to replace the one, society must give up more of its energy than to replace the other. (P. 193.)

Note here that—precisely as when we were introductorily discussing individual demand and individual cost, cost was made a derivative of demand—so here, in the social computation, social marginal utility is presented as adequate and controlling for value; but meanwhile our real problem of how to get over from the individual reckoning to the social explanation obtains admirable and adequate recognition and expression:

All value is the reflex of social marginal utility. We have now to study the nature of the social forces which operate to translate into actual prices on the market the feelings of the individuals that comprise the group. (P. 223.)

If this problem is fairly solved, nothing will remain to be asked; but the difficulty and the regrettable fact of it all is that the transition over from the individual psychology to an alleged social psychology is nowhere seriously attempted, unless, indeed, the following may be taken to suffice for the purpose:

Cost means socially necessary cost—not pains (or their money equivalent) taken, but pains saved. It is only because individual cost tends to adjust itself to the socially necessary cost that we can roughly speak of the price of anything depending on its cost of production. (P. 244.)

Socially necessary cost . . . . is the amount which the purchasers as a group are willing to give rather than make the article for themselves. If the individuals cannot reduce their cost, they will stop producing. If they reduce their cost below this point, the point itself will move. (P. 244.) [And so, then, it appears that individual cost does affect the quantum of the social cost.] Society will not be willing to give more, because what the producer can do, the rest of society can, if necessary, do. It is in this way

that an equivalence is brought about between individual and social cost; and it is only because of this equivalence that cost of production may be said to influence value. (P. 244.)

But in view of the fact that, by assumption, some individual producers will not be able "to reduce their costs and will stop producing," while, surely, other producers will so be able, what shall be made of the proposition that what some "producers can do, the rest of society can, if necessary, do"? Are all consumers to be accepted as like all the producers, despite the fact that the producers are themselves unlike?

Or perhaps the following should be cited upon the point:

Cost of production does not mean individual cost. Value, as we know, is a social conception; the real cost of production which affects value is the socially necessary cost. (P. 243.)[9]

The law of exchange may be equally well stated as the law of comparative costs. I may be so much more intelligent than my furnace man that I could save much coal by tending the furnace myself; yet I prefer to look after my business, and let him tend the furnace because it pays each of us to do so. (P. 226.)

The important point is not that a commodity costs the producer something, but that it saves the consumer something. It may save one consumer more than another, but its value depends on what it saves the social group as a whole. This saving of social cost is what is meant by socially necessary cost. . . . . The cost to the individual producer will adjust itself to the socially necessary cost, that is, the amount which the purchasers as a group are willing to give rather than make the article for themselves. (P. 245.)

Evidently, however, this reduces individual cost to social demand; thereby cost comes, not to fix price, but to be fixed by price; to make the determinant of value the question of what a commodity saves the social group is to abandon the cost for the utility side of the analysis. And thus, finding in cost no explanation of price, we are left to our further devices to explain that social *price* which lies behind individual *cost*.

Or the explanation for shutting out from consideration all individual peculiarities may be that they are assumed—for theoretical purposes—not to exist. Still, if this were the view adopted, we should, as has already been suggested, be precisely back to the reasoning by averages characteristic of an earlier, and possibly

[9] But if so, why not stand by this Marxian formulation and omit all that talk about my furnace?

enough a better, time. But space fails for the discussion of this question; and we recall that our author has himself spoken decisively in condemnation of the economic man. There is also the further difficulty that, with this "average-man" analysis once adopted, there is necessarily an end to all talk of margins, social or other.

The truth is, however, that these differences between individuals are fully recognized, but are regarded as somehow merged and lost in the social utility, the social cost, the social demand, etc.; and yet the reasoning repudiates the economic man, declines any overt and systematic acceptance of the method of averages, and adheres resolutely and consistently to the marginal analysis.

And thus, just as upon p. 228 it was declared that "a dollar is of more worth to a poor man than to a rich man—its marginal utility is greater," and that "the price of an old master or a mediæval missal will often depend on the wealth of the purchaser;" but as it was nevertheless contended that "in the ordinary transactions of life, where we deal in masses of commodities . . . . this difference in the worth of money may be neglected," so now, in the discussion of the theory of interest, similar differences are likewise merged, the average method refused, and a cost-margin analysis—of the pain-cost type—presented:

> The only way in which capital can be formed is at bottom by saving, by waiting, by forbearing. (P. 319.) . . . . The problem is one of marginal forbearance, that is, of sacrifice at the margin where he must choose between consumption and saving. The richer a man is, the more remote is the margin where he will have to decide. The saving of a dollar means something very different to a rich man and to a day laborer. (P. 320.)
>
> When, therefore, we say that interest is the result of forbearance, we really mean that interest is the result of marginal forbearance, or forbearance at the margin. . . . . This marginal point will indeed be a different one for the rich and the poor [but not different ratio-wise], for the spendthrift and the miser, but this difference will affect the rate of interest as little as the relative wealth of the purchaser affects the price of wheat on the exchange. The value of wheat is the expression of its marginal utility to the wheat-using group; the interest on capital corresponds to the difference in the marginal estimates of present and future uses for the whole capital-using group. Value in the market is social value. (P. 398.)

And all of this coheres logically with the doctrine of an earlier page:

> Cost of production is the measure of value; but it is not, as Ricardo thought, individual cost. Marginal utility determines value; but it is not, as Jevons thought, individual utility. Both cost and utility measure value, because . . . . marginal cost is always equal to marginal utility. (P. 198.) [10]

But it is more than possible that more than justifiable space and time have already been given to this social school of value. It remains, however, to query why, with all these social utilities, demands, supplies, costs, sacrifices, averages, and margins, we nowhere find any social rent or interest or wages. These, indeed, as categories of distribution, seem to be admittedly individualistic; though no good reason offers why, if demand is social, consumption may not equally be so. But if wages, rent, and interest are admitted and accepted as categories of distribution—as individualistic shares received under individual claims for value-producing service rendered—it must follow that profit, a surplus or residual of some sort or other, is also an individual category. And these incomes of rent, interest, and wages—distributive shares to the recipients—are obviously costs to the entrepreneur, and as such lead up to individual supply, and through supply to market value—so far, at least, as market value is affected by supply influences. What will the social-value school do with this situation? In urging that not individual, but only social, cost is relevant to market value, the school will be under obligations to work out, as factors of social cost, a scheme of social wages, social rents, and social interest, and, as surplus over social cost, a social profit.

[10] As bearing upon this notion of the social-value school that all individual differences may be canceled or overlooked, and that "the great advantage in the use of money is that in ordinary transactions its marginal utility to both parties may be regarded as the same," von Wieser writes:

"Price is a social fact, but it does not denote the estimate put upon goods by society. Luxuries are paid for more highly than necessaries, but who would affirm that they are therefore of greater social importance? . . . . A government, indeed, is for the most part concerned with the carrying through of just such economic tasks as could not be justified by their money return, if they could not be justified by their utility." (*Natural Value,* p. 52.)

"Exchange value . . . . measures a combination of utility and purchasing power. . . . . As a consequence of it, production is ordered, not only according to simple want, but also according to wealth. Instead of things which would have the greatest utility, those things are produced for which the most will be paid. The greater the differences in wealth, the more striking will be the anomalies of production. It will furnish luxuries for the wanton and the glutton, while it is deaf to the wants of the miserable and the poor . . . . a consumption that wastes upon unnecessary and culpable enjoyment what might have served to heal the wounds of poverty." (*Ibid.,* p. 58.)

In fact, however, it does not do this. For, as soon as we turn from the value problem to the separate treatment of the distributive shares, we find ourselves to have descended from the cloud-land mysteries of transcendental economics to the old and beaten paths of the traditional analysis. However, both for its own purposes and for its incidental bearing upon the earlier doctrines of cost—social and other—some of the distribution discussion must, for a time, claim our attention.

Distribution and costs.—Nothing could, on the whole, be more admirable than Professor Seligman's discussion of the inter-relations of rent and interest. Much the same commendation must also be accorded to his analysis of the relations of rent to cost; only that in either case he is all the while, or nearly so, upon entrepreneur-cost ground:

It is stated that rent is not a part of cost, and that high rents are therefore a result, not a cause, of high prices. . . . . Precisely the same, however, is true of every other share in distribution. . . . . Different employers may utilize different grades of workmen to fell trees or to build railways. One uses a three-dollar American, another a two-dollar French-Canadian, another a dollar Italian. . . . . The high-price workman is not really more expensive, because his output is greater.

Since all the trees sell at the same price, as fixed by the marginal producer who is using the least efficient workmen, the higher wage of the American represents a surplus product or labor rent over the low wage of the Italian. (P. 377.) [Excellent—all but this "fixing," which has been before repudiated.]

The wages of every different grade of workman are a differential in the same sense as the rents of different grades of land or capital is a differential. (P. 377.)

The doctrine next following is not, however, quite so satisfactory. The argument runs that rent must, in any event, be included in cost, since, for most products, the poorest land in use is not merely rent-paying land, but is land which is rent-commanding for other purposes; therefore no fair distinction is possible between rent and wages in their relations to cost and values:

It will be said, however, that there is a distinction, because even the lowest wages are beyond peradventure a part of the cost. So, however, is the rental paid for the worst wheat land. The confusion arises from supposing that the worst wheat land is no-rent land. . . . . In the cost of the wheat, therefore, there must always be included the rent which the marginal, or no-wheat-rent, land would earn if employed for the next lower use. (P. 377.)

> All value may be considered as a differential. . . . A good boat will rent for more than a poor one; and if it is "no good" at all, it will not rent for anything. Rent, therefore, may be measured as a differential from a margin or base line of no-rent. However, ... almost everything is susceptible either of more than a single kind of use or of different uses to different people. [Professor Seligman does nothing more anywhere with this different-people idea.] . . . . A piece of land may be of no use for wheat-raising, but good for alfalfa. The margin . . . . may be only relative, and not an absolute, no-rent margin. . . . . That no-rent wheat plot may yield a substantial rent as perhaps the best of pasture plots. (P. 217.)

Marshall, it will be recalled, attempted to refute the view in question by an appeal to the intensive land margin in its no-rent aspect. Not at all concurring in this attempted refutation—for, as it seems to the present writer, Marshall's manner of reply would equally avail to exclude interest and wage payments from cost, and is at bottom an abandonment of the entire entrepreneur-cost principle of computation—it is here urged simply that the entrepreneur standpoint, having been for the purposes in hand adopted by our author, should be consistently adhered to. Suppose one's wage-earners to have each received his wage; what is therefore to be computed as entering into entrepreneur cost? Can it be, for each laborer, the amount solely—if anybody could ever discover that amount—that this wage-earner might have made, or have produced, in some other employment; not wages and cost by the measure of what the market gave him, but by what it would have given him if it had given something less and different? And if some of these wage-earners would elsewhere be good for nothing, should it therefore follow that what they get here is in no part to be included within the cost total? It must suffice here to assert flatly and dogmatically that the analysis by which this result may be arrived at is a collectivist cost doctrine made to do duty under an entrepreneur-cost computation in a competitively organized society.

But our author now makes appeal to another and quite different level of value analysis. Meanwhile he incidentally enunciates the doctrine that the various distributive shares from productive activity equal and express the value product of the productive service. Merely stopping to suggest that the remuneration of a productive service is not, in exact thinking, its value-productivity contribution—if this were ever by anybody really ascertainable—but simply the market value of its value-productive service—

theoretically quite a different quantity, and commonly measurably different practically—we turn to examine our author's progress to this deeper or higher cost doctrine. On p. 378 he says:

> Furthermore, not only must the marginal rent [the displaced product?] always be included in cost, and therefore in price, but in a higher sense the differential rent as a permanent phenomenon is also a part of price. The rent of anything is its product. The greater product of the better land forms as much an element of the supply as the smaller product of the poorer land, and price depends on the relation of the total supply to the total demand. . . . . Price is not fixed by the marginal or maximum cost, but *at* the marginal cost, and the margin depends upon the output of the better grades, receding as this increases, advancing as it falls. Every bushel of wheat, whether it comes from good or poor land, affects the supply, the price and the margin.

Now note the argument: The rent on land is a price-determining fact, because the product of the land is a part of the aggregate commodity supply. But the objection immediately arises that in this higher sense—a view which emphatically deserves far more extensive and more thorough development than it has yet anywhere received—no cost of any sort, but only product, has anything to do with price. And in last analysis, truly, products are not to be explained by remunerations, but by the supply of agents; the supply of products, being determined by the supply of agents, determines in turn—on the cost side—the value of the product; and the value of the product in turn explains the remuneration of the agent. But this is all on a level underlying the superficial entrepreneur-cost analysis—the merest superficial adjustment working within, and controlled by, the larger situation facts—and excludes all remunerations from the category of causal factors; the argument is thus not good to include rent equally with wages in cost, but to exclude, together with the entire cost computation, all of the different subheads and factors of cost from the category of value-determining influences; under this analysis, both rent and interest appear as results of value, as mere distributive shares. That is to say, not rent, but the lands—their scarcity; not wages, but the supply of labor, must explain the limited volume of product and the value, derivative from this limitation. And so bearing in mind that wages produce nothing; that land, and not rent, has productive power; that land is one thing, and the rent of it another and a quite distinguishable thing, we are in position to appreciate the infinite confusion of fundamental standpoints and of derivative

analyses involved in our author's argument as it continues (the italics are the reviewer's):

> The rent of the better instrument is the product of the better instrument. Each unit in the supply is a part of the total product *or total rent,* and must therefore affect the price. Hence the rent *or product* of any instrument of production, whether it be land or capital or labor, whether it be marginal or differential *rent,* is really an element in the price, in the sense that, were it not for that *product,* the price would be different. Land is here in precisely the same position as other things. (P. 379.)

Did time and space permit, it would be profitable to examine our author's discussion of the various laws of return, and, at the same time, to urge the necessity of distinguishing one from another the different laws of concrete-product return, utility return, and value return. And likewise, were this in intention a review-report rather than a paper planned for deliberate insistence upon the strict delimitation of issues and for definite controversial purposes in the theoretical field, it would be needed to make some attempt at summary of some other of the author's positions—e. g., the measure of his acceptance of the abstract-capital concept; his interesting and fertile discussion of the relations of capital and land; of rights and franchises to capital; of technological productivity to interest; of time-discount to rental-income; and of time-discount to capitalization. But all this must await another occasion, or go undone.

But after all this litigiousness of disposition on the part of the reviewer—this overzeal in the discovery of material for dispute—it is equally a pleasure and a duty to express hearty commendation and cordial appreciation of this new treatise in its quiet, scholarly, effortless dignity and grace of style, its surpassing felicity of statement, its clarity and effectiveness of exposition, and, above all, in its winning catholicity of temper and sympathy. And in doctrine and tendency, also, were it anything less than an exceptionally significant work, something less than all these many pages might have been devoted to it.

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